

Message Text

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PAGE 01 STATE 100179
ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 NEA-10 ISO-00 TRSE-00 SIG-03
NSCE-00 INRE-00 SP-02 ICA-11 AID-05 SS-15 STR-07
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01
IO-13 /126 R

DRAFTED BY EB/IFD/OMA:BCROWE:JMR
APPROVED BY EB/IFD:CFMEISSNER
EUR/RPE - RGELBARD
TREASURY - ALICE DRESS
-----083304 191748Z /43

O R 191705Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY BONN IMMEDIATE
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY BERN
AMEMBASSY TOKYO
INFO AMEMBASSY ANKARA
AMEMBASSY KUWAIT

C O N F I D E N T I A L STATE 100179

PASS USOECD

E.O. 11652: GDS

TAGS: EFIN, OECD, TU

SUBJECT: VENUE FOR TURKEY DEBT RENEGOTIATIONS

REFERENCE: PARIS 11917

1. REFTEL DESCRIBES APRIL 10 CONSORTIUM DISCUSSION OF
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PAGE 02 STATE 100179

TURKEY'S REQUEST FOR RENEGOTIATION OF ITS OFFICIAL DEBT.
THE US IS WILLING TO COOPERATE WITH OTHER CREDITORS TO HELP
TURKEY ALLEVIATE ITS CURRENT DEBT PROBLEM. MOST CREDITOR
GOVERNMENTS SEEM TO BE THINKING ALONG SIMILAR LINES IN THAT,
AS A RULE, THEY FAVOR HOLDING RESCHEDULINGS IN CREDITOR
CLUBS, RATHER THAN IN A CONSORTIUM. THEY RECOGNIZE, HOWEVER,
THAT TURKEY OPPOSES STRONGLY THE IDEA OF A CREDITOR CLUB.

IN VIEW OF CLOSE CREDITOR CONSULTATION AND COOPERATION ON OVERALL TURKISH ECONOMIC PROBLEMS, WE WOULD LIKE TO HAVE LATEST CREDITOR COUNTRY THINKING ON THE VENUE ISSUE AS WELL AS THEIR REACTION TO USG THINKING AS DESCRIBED BELOW. WE THINK IT WOULD BE USEFUL FOR MAJOR CREDITORS TO COORDINATE CLOSELY ON THIS ISSUE BECAUSE OF POLITICAL SENSITIVITIES. REQUEST YOU CONTACT APPROPRIATE HOST GOVERNMENT OFFICIALS TO DISCUSS THIS MATTER AND REPORT VIEWS SOONEST.

2. OTHER CREDITORS ARE FAMILIAR WITH USG POLICY ON MULTI-LATERAL DEBT RENEGOTIATION AND GENERALLY SHARE OUR VIEWS. THE ISSUE OF RESCHEDULING FORA HAS BEEN ONE OF THE KEY ELEMENTS OF THE NORTH/SOUTH DIALOGUE ON DEBT. IN THIS CONTEXT, LDCS HAVE CRITICIZED THE CREDITOR CLUB MECHANISM AND CALLED FOR THE ESTABLISHMENT OF NEW INSTITUTIONAL ARRANGEMENTS TO TREAT DEBT PROBLEMS. THE CREDITOR COUNTRIES HAVE CONSISTENTLY REAFFIRMED THEIR BELIEF THAT THE CREDITOR CLUB IS THE APPROPRIATE FORUM FOR DEALING WITH IMMINENT DEFAULT TYPE CASES, AND HAVE EMPHASIZED THE ABILITY OF THE CREDITOR CLUB TO DEAL EFFECTIVELY WITH DEBT PROBLEMS OF DIFFERENT COUNTRIES. WE BELIEVE WE MUST BE CAREFUL NOT TO SET A PRECEDENT WHICH COULD REBOUND TO OUR DISADVANTAGE IN FUTURE DEBT RELIEF RENEGOTIATIONS. SINCE THE TURKISH RESCHEDULING OF 1965, ALL DEBT RESCHEDULINGS (ASIDE FROM THE UNIQUE CASES OF INDIA AND PAKISTAN) HAVE BEEN CHAIRED BY A CREDITOR COUNTRY, I.E., THE LONDON CLUB
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CONFIDENTIAL

PAGE 03 STATE 100179

OR THE PARIS CLUB. WE BELIEVE THE PROCEDURE OF HAVING A CREDITOR COUNTRY CHAIR DEBT RENEGOTIATIONS IS AN IMPORTANT ONE. A CONSORTIUM RESCHEDULING BLURS THE DISTINCTION BETWEEN CREDITOR POLICIES COVERING ECONOMIC ASSISTANCE AND THOSE COVERING DEBT RELIEF. THE TURKISH SITUATION IS CLEARLY ONE WHERE A RESCHEDULING APPEARS JUSTIFIED AND SHOULD BE ADDRESSED WITH THAT THOUGHT IN MIND.

3. THE USG PREFERENCE IS FOR A CREDITOR CLUB FOR TURKEY. WE RECOGNIZE, HOWEVER, THE POLITICAL DIFFICULTIES POSED BY TURKEY'S INSISTENCE ON THE OECD VENUE. IN THIS CONTEXT, WE ARE LOOKING AT AN ALTERNATIVE WAY OF APPROACHING THIS ISSUE SO AS TO APPEAR RESPONSIVE TO THE GOT'S VIEWS. ONE IDEA THAT OCCURS TO US, AS IT HAS TO SOME OTHER CREDITORS, WOULD BE TO HAVE THE NEGOTIATIONS TAKE PLACE IN AN AD HOC SUB-GROUP OF THE OECD CONSORTIUM USING THE CRITERIA AND PROCEDURES OF THE TRADITIONAL CREDITOR CLUB. SPECIFICALLY, A REPRESENTATIVE OF A CREDITOR COUNTRY (RATHER THAN THE OECD CONSORTIUM SECRETARIAT) WOULD CHAIR THE MEETING, AND THE MEETING WOULD FUNCTION AS IT WOULD IN A REGULAR CREDITOR CLUB EXERCISE. TO UNDERSCORE THE SEPARATE CHARACTER OF THE SUB-GROUP WE SUGGEST IT MIGHT MEET AT A TIME

WHEN THE FULL CONSORTIUM IS NOT SCHEDULED. WE ALSO BELIEVE IT IS IMPORTANT THROUGHOUT THE DEBT RENEGOTIATION PROCESS TO CONTINUE EMPHASIZING THE SEPARATE CHARACTER OF THE SUB-GROUP AS DISTINCT FROM THE FULL CONSORTIUM.

4. GIVEN TURKEY'S EMPHASIS ON AN OECD CONSORTIUM ROLE, THE SECRETARIAT COULD FUNCTION AS TURKEY'S OFFICIAL ADVISOR THROUGHOUT THE RENEGOTIATION PROCESS. THE CONSORTIUM SECRETARIAT WOULD, INTER ALIA, ADVISE ON THE MERITS OF ALTERNATIVE RESCHEDULING PROPOSALS, RECOMMEND MEASURES TO

MANAGE MORE EFFECTIVELY EXISTING DEBT, AND GUIDE TURKEY THROUGH THE PROCEDURES NECESSARY FOR CONCLUDING BILATERAL IMPLEMENTING AGREEMENTS AND AGREEMENTS WITH PRIVATE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 100179

CREDITORS.

5. THE USG IS FLEXIBLE AS TO WHICH CREDITOR COUNTRY REPRESENTATIVE SHOULD CHAIR THE TYPE OF MEETING WE ENVISION. WE APPRECIATE THAT THE PARIS LOCALE AND THE PARIS CLUB PRECEDENT PRESENT STRONG ARGUMENTS FOR FRENCH CHAIRMANSHIP. AT THE SAME TIME, WE COULD SUPPORT A FRENCH CHAIRMAN OR WHATEVER CREDITOR COUNTRY CHAIRMAN RECEIVES EC COUNTRY SUPPORT.

6. THE USG BELIEVES IT WOULD BE USEFUL FOR MAJOR CREDITOR COUNTRIES TO MEET INFORMALLY ON APRIL 27, ONE DAY PRIOR TO SCHEDULED APRIL 28 CONSORTIUM MEETING IN ORDER TO COORDINATE STRATEGY FOR THE MEETING.

7. FOR ANKARA: ONCE WE REACH AGREEMENT WITH OTHER CREDITORS ON PROCEDURES WE EXPECT TO FOLLOW, WE WILL PROVIDE EMBASSY WITH TALKING POINTS FOR DISCUSSIONS WITH THE GOT. CHRISTOPHER

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INFO OCT-01 ISO-00 /013 R

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DRAFTED BY: EUR/RPE:RSGELBARD

APPROVED BY: EUR/RPE:PLLAASE

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS IMMEDIATE

C O N F I D E N T I A L STATE 100179

BRUSSELS FOR ACTION USEEC FOR INFO

FOL TEL SENT ACTION BONN LONDON OTTAWA PARIS BERN TOKYO
INFO ANKARA KUWAIT FROM SECSTATE DTD 19 APR 1978 QTE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, DEBT REPAYMENTS, FOREIGN ASSISTANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 19 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
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From: STATE
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Reference: 78 PARIS 11917
Retention: 0
Review Action: RELEASED, APPROVED
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Review Date: 27 may 2005
Review Event:
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2913307
Secure: OPEN
Status: NATIVE
Subject: VENUE FOR TURKEY DEBT RENEGOTIATIONS
TAGS: EFIN, TU, OECD
To: BONN LONDON MULTIPLE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/204901ab-c288-dd11-92da-001cc4696bcc
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Declassified/Released
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